



Secure and Trusted Communications Networks Reimbursement Program Second Report

**Prepared by the:
Wireline Competition Bureau**

**Submitted to the:
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I. INTRODUCTION

In the Secure and Trusted Communications Networks Act of 2019 (Secure and Trusted Communications Networks Act or Act), Congress directed the Federal Communications Commission (Commission) to establish the Secure and Trusted Communications Networks Reimbursement Program (Reimbursement Program) to reimburse eligible providers of advanced communications services for costs reasonably incurred to remove, replace, and dispose of communications equipment and services in their networks that pose national security risks.¹ The Secure and Trusted Communications Networks Act further directs the Commission to report to Congress, every 180 days, on both (1) “the implementation of the [Reimbursement] Program by the Commission”;² and (2) “the work by recipients of reimbursements under the [Reimbursement] Program to permanently remove, replace, and dispose of covered communications equipment or services” in their networks.³

On January 10, 2023, the Wireline Competition Bureau (Bureau) submitted the First Report to Congress to provide an update on the Commission’s efforts to implement the Reimbursement Program and work by recipients to remove, replace, and dispose of covered communications equipment or services.⁴ In that Report, the Bureau identified the steps the Commission had already taken to implement the Reimbursement Program, including: (1) establishing an application process and issuing funding allocation approvals;⁵ (2) reviewing reimbursement claims submitted by Reimbursement Program recipients;⁶ (3) guarding the Reimbursement Program from waste, fraud, and abuse;⁷ and (4) providing education and outreach about the Reimbursement Program to providers of advanced communications services.⁸ The First Report to Congress further explained that, based on required submissions from recipients, “many Reimbursement Program participants [had] begun some work toward permanently removing, replacing, and disposing of the covered communications equipment and services in their networks . . . [but were facing] certain challenges that may hinder their ability to start or complete that work, generally and within the time allowed by the Secure and Trusted Communications Networks Act of 2019 and the Commission’s rules,”⁹ particularly lack of funding.¹⁰ The Bureau submits this Second Report to Congress to explain the additional steps the Commission has taken since January to implement the Reimbursement Program and provides an update on recipient progress toward removal, replacement, and disposal of covered communications equipment or services in the intervening months.¹¹

¹ Secure and Trusted Communications Networks Act of 2019, Pub. L. No. 116-124, 133 Stat. 158 (2020) (codified as amended at 47 U.S.C. §§ 1601–09).

² *Id.* at § 1603(d)(8)(C)(i).

³ *Id.* at 1603(d)(8)(C)(ii). The Secure and Trusted Communications Networks Act defines a “recipient” as “any provider of advanced communications service the application of which for a reimbursement under the Program has been approved by the Commission, regardless of whether the provider has received reimbursement funds.” 47 U.S.C. § 1608(11). Accordingly, we refer to providers that submitted approved applications as “recipients.”

⁴ Wireline Competition Bureau, Secure and Trusted Communications Networks Reimbursement Program Report, (2023), <https://www.fcc.gov/document/supply-chain-reimbursement-program-report> (First Report to Congress).

⁵ First Report to Congress at 1-6.

⁶ *Id.* at 6-8.

⁷ *Id.* at 8-11.

⁸ *Id.* at 12-14.

⁹ *Id.* at 12.

¹⁰ First Report to Congress at 15.

¹¹ 47 CFR § 1.50004(k)(3) (delegating to the Bureau the obligation to prepare the report to Congress required by 47 U.S.C. § 1603(d)(8)(C)).

II. DISCUSSION

Over the past six months, the Commission has continued to implement the Reimbursement Program as required by Congress and the Commission's rules. On May 3, 2023, the Chairwoman wrote to Congress to provide an update on this work and upcoming deadlines under the Secure and Trusted Communications Networks Act and the Commission's rules.¹² In that letter, the Chairwoman explained that the Commission "has made the successful implementation of the Reimbursement Program one of its top priorities,"¹³ but acknowledged that lack of funding presents a challenge to achieving the Program's goals.¹⁴ Demand for support significantly exceeds the \$1.9 billion appropriation that funds the Reimbursement Program.¹⁵ The Bureau was, therefore, required by the Commission to implement the prioritization scheme mandated by the Secure and Trusted Communications Networks Act when it approved funding allocations on July 15, 2022.¹⁶ That scheme required that funding be first allocated to applicants with 2 million or fewer customers (Priority 1).¹⁷ Priority 1 applicants submitted approximately \$4.64 billion in cost estimates that were deemed reasonable and supported.¹⁸ Because that amount also exceeded available funding, the Commission's rules required the Bureau to prorate the allocations approved for the Priority 1 applicants on an equal basis, consistent with the Act's requirement that funding be distributed on an equitable basis.¹⁹ The pro-rata factor applied to the funding allocations was approximately 39.5%.²⁰

Since the Bureau submitted the First Report to Congress, we have continued to review reimbursement claims submitted by Reimbursement Program recipients and issue funds within the approved funding allocations for costs reasonably incurred to remove, replace, and dispose of covered communications equipment and services. We have further received and reviewed the second and third rounds of status updates submitted by Reimbursement Program recipients on January 11, 2023 and April 11, 2023²¹ to monitor progress made on the recipients' projects, as well as the first round of spending reports submitted by recipients on February 10, 2023.²²

¹² Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to the Honorable Frank Pallone et al. (May 3, 2023) (available at <https://docs.fcc.gov/public/attachments/DOC-393206A1.pdf>) (May 2023 Congressional Letter)

¹³ *Id.* at 1.

¹⁴ *Id.* at 2-3.

¹⁵ *Wireline Competition Bureau Announces the Grant of Applications for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 22-774 (WCB July 18, 2022) (*Approval Public Notice*) at 2 n.8 (stating that demand for Reimbursement Program support at the conclusion of application review was approximately \$5.26 billion).

¹⁶ *Id.* at 2; *see* 47 U.S.C. § 1603(d)(5)(C).

¹⁷ 47 U.S.C. § 1603(d)(5)(C)(i). No applicants fell within Priority 2. *See Approval Public Notice* at 2 n.10 (stating that all applicants fell into Priority 1 or Priority 3). One applicant fell within Priority 3 due to its customer count. *Id.* That applicant submitted 45 applications that were denied due to lack of funding. *Id.*

¹⁸ *Approval Public Notice* at 2.

¹⁹ 47 CFR § 1.50004(f)(1); *see also* 47 U.S.C. § 1603(d)(5)(A).

²⁰ *Approval Public Notice* at 3.

²¹ FCC, Secure and Trusted Communications Networks Act Reimbursement Program – Status Updates, <https://www.fcc.gov/supplychain/reimbursement> (last visited July 7, 2023).

²² FCC, Secure and Trusted Communications Networks Act Reimbursement Program – Spending Reports, <https://www.fcc.gov/supplychain/reimbursement> (last visited July 5, 2023).

A. Report on the Commission’s Implementation of the Reimbursement Program

1. The Bureau’s Review of Reimbursement Claims and Status of Claim Filings

All applicants approved for funding support must submit at least one Reimbursement Claim to the Commission via a filing in the Reimbursement Program Online Portal by July 17, 2023, under the Commission’s rules.²³ The Fund Administrator,²⁴ the Bureau, and the Commission’s Office of the Managing Director (OMD) evaluate Reimbursement Claims based on information provided by the Reimbursement Program recipient.²⁵ The reviewers examine expenses submitted for reimbursement to determine if they are “reasonably incurred” for the removal, replacement, and disposal of covered communications equipment and services,²⁶ which the Fund Administrator and the Bureau evaluate by considering: (1) whether the cost is typically incurred when transitioning from covered communications equipment or services to a replacement; (2) the cost relative to alternative equipment and services; and (3) the capabilities and functions performed by the replacement equipment and services as compared to the equipment and services removed.²⁷ The Fund Administrator and Bureau compare the Reimbursement Claim to the price ranges in the Cost Catalog previously issued by the Bureau;²⁸ review supporting invoice documentation; consider any additional justification or explanation submitted by the recipient; and seek any additional necessary information from recipients during their review. To obtain any

²³ See 47 CFR § 1.50004(g)(1) (“Within one year of the approval of its Reimbursement Program application, a recipient must file at least one reimbursement claim.”). The Bureau approved all applications submitted to the Reimbursement Program on July 15, 2022. Because July 15, 2023, falls on a Saturday, the deadline to file an initial reimbursement claim is July 17, 2023. See *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of the July 17, 2023 Deadline to File an Initial Reimbursement Claim*, WC Docket No. 18-89, Public Notice, DA 23-445 (WCB May 24, 2023) (*July 2023 Status Update Deadline Public Notice*).

²⁴ On April 28, 2021, the Bureau announced the selection of Ernst & Young LLP as the Reimbursement Program Fund Administrator to assist the Bureau with processing applications and administering the Reimbursement Program. *Wireline Competition Bureau Announces Selection of the Secure and Trusted Communications Networks Reimbursement Program Fund Administrator*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 7600 (WCB 2021).

²⁵ See, e.g., FCC, *Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 Part G and Modifications of FCC Form 5640 Part C User Guide* (Sept. 12, 2022), <https://www.fcc.gov/sites/default/files/supply-chain-user-guide-09122022.pdf> (Sept. 2022 User Guide). Recipients must link actual costs incurred and the supporting invoice documentation to their itemized cost estimates previously submitted via the Reimbursement Program Online Portal to complete the claim. *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12206, para. 46. With each invoice submitted, Recipients must provide specific details related to the invoice (vendor name, date issued, description of contents, etc.) to assist reviewers in linking invoices to specific itemized cost estimates and ensure that the invoice is reimbursable. See Sept. 2022 User Guide at 13.

²⁶ 47 CFR § 1.50004(g); see also *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 86-94; *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-21.

²⁷ See *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 85-94; *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-20.

²⁸ See 47 CFR § 1.50004(c)(1)(i) (“Eligible providers may rely upon the predetermined estimated costs identified in the Catalog of Expenses Eligible for Reimbursement made available by the Wireline Competition Bureau.”); *Wireline Competition Bureau Finalizes Application Filings, Procedures, Cost Catalog, and Replacement List for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 12190, 12215, para. 73 (WCB Aug. 3, 2021) (adopting Cost Catalog). The Cost Catalog was created for applicants to rely on, where applicable, when submitting cost estimates in their applications, and to provide additional guidance regarding whether certain costs are reasonably incurred and reimbursable under the Reimbursement Program. Eligible providers that submitted their own cost estimates, rather than relying on the Cost Catalog, were required to submit supporting documentation and certify that the estimates were made in good faith. *Id.*

additional needed information, the Fund Administrator submits requests for information to the recipient. This process is designed to allow reasonably incurred expenses to be paid while guarding the Reimbursement Program against waste, fraud, and abuse.²⁹

As of June 30, 2023, the Fund Administrator and Bureau have received 5,531 Reimbursement Claims across 86 of the 126 applications approved for a funding allocation. The Bureau and OMD have approved \$190,353,334 in Reimbursement Claims. Recipients for whom the Bureau has approved distributions of reimbursement funds now have deadlines to remove all Huawei and ZTE communications equipment and services ranging from September 29, 2023 to June 30, 2024, based on the initial distribution of funds to the recipient.³⁰ Removal, replacement, and disposal deadlines will continue to be set on an application-specific basis as recipients continue to submit Reimbursement Claims that result in an initial distribution of reimbursement funds. On May 24, 2023, the Bureau released a Public Notice reminding recipients of the July 17, 2023, deadline to file at least one Reimbursement Claim, and cautioning recipients that failure to meet this obligation would result in the recipient's allocated funding being reclaimed.³¹ This is consistent with the Commission's recognition that compliance with the one-year deadline to file an initial reimbursement claim is important to ensure the timely completion of removal, replacement, and disposal as contemplated by Congress in the Secure and Trusted Communications Networks Act.³²

2. Reporting and Other Measures to Guard Against Waste, Fraud, and Abuse

The Secure and Trusted Communications Networks Act requires Reimbursement Program recipients to file certain reports to keep the Commission apprised of their progress in permanently removing, replacing, and disposing of the covered communications equipment and services in their networks and directs the Commission to “tak[e] all necessary steps to avoid waste, fraud, and abuse with respect to the [Reimbursement] Program.”³³ The Act also requires the Commission to conduct audits, reviews, and field investigations to ensure that recipients are complying with the Reimbursement Program's requirements and performing all work required to permanently remove, replace, and dispose of the covered communications equipment and services.³⁴ The Commission has established a compliance plan for the Reimbursement Program that includes audits and field investigations. Under the Commission's rules, if a Reimbursement Program recipient violates the Secure and Trusted Communications Networks Act, the Commission's rules implementing the statute, or the commitments made by the recipient in the application for reimbursement, the recipient shall be required to repay all funds received, be barred from further participation in the Reimbursement Program, be referred to

²⁹ For further information on the Reimbursement Claim review process, *see* First Report to Congress at 7-8.

³⁰ *See* 47 U.S.C. § 1603(d)(6)(A) (establishing that recipients must complete removal, replacement, and disposal within “1 year after the date on which the Commission distributes reimbursement funds to the recipient”); 47 CFR § 1.50004(h) (adopting a rule consistent with the completion deadline established by the Secure and Trusted Communications Networks Act).

³¹ *July 2023 Status Update Deadline Public Notice*; 47 CFR § 1.50004(g)(1) (“Within one year of the approval of its Reimbursement Program application, a recipient must file at least one reimbursement claim. Failure to file a reimbursement claim within the one-year period will result in the reclamation of all allocated funding from the Reimbursement Program recipient and revert to the Reimbursement Program fund for potential allocation to other Reimbursement Program participants.”). Reimbursement Program recipients also received a reminder of this deadline through an automated email from the Reimbursement Program online portal.

³² *See 2020 Supply Chain Order*, 35 FCC Rcd at 14354, para. 170 (stating that Congress made its intent that recipients complete their projects within one year clear and tying the completion term to the actual initial disbursement of funds “to ensure the efficient and expeditious use of funding to facilitate networks transitions . . .”).

³³ 47 U.S.C. § 1603(e)(1).

³⁴ *Id.* at §§ 1603(e)(3)(A)-(B).

appropriate law enforcement agencies for further action under applicable criminal and civil law, and may be barred by the Commission from participating in other Commission programs, including Federal universal service support programs.³⁵

As described below, recipients continue to submit reports as required by the statute and the Commission has developed measures to monitor and investigate their compliance with the Secure and Trusted Communications Networks Act, the Commission’s rules, and Reimbursement Program procedures.

a. Status Updates

The Secure and Trusted Communications Networks Act requires recipients to submit “[n]ot less frequently than once every 90 days beginning on the date on which the Commission approves an application for a reimbursement under the [Reimbursement] Program . . . a status update on the work of the recipient to permanently remove, replace, and dispose of the covered communications equipment or services.”³⁶ To comply with this requirement, recipients are required to report on the efforts undertaken and challenges encountered in performing that work,³⁷ as well as whether the recipient has: (1) fully complied with, or is in the process of complying with, all requirements of the Reimbursement Program; (2) fully complied with, or is in the process of complying with, the commitments made in the recipient’s application; (3) permanently removed from its communications network, replaced, and disposed of, or is in the process of permanently removing, replacing, and disposing of, all covered communications equipment or services that were in the recipient’s network as of the date of the submission of the recipient’s application; and (4) fully complied with, or is in the process of complying with, the timeline submitted by the recipient in its application.³⁸ Recipients must also report in detail on the availability of replacement equipment in the marketplace so the Commission can assess whether a general, six-month extension permitted by the statute is appropriate.³⁹ Lastly, each status update must include a certification that affirms the accuracy of the information in the update.⁴⁰

Pursuant to the Commission’s rules, recipients must submit these status updates every 90 days, with the first status update due 90 days after the approval of applications for reimbursement.⁴¹ Because recipients’ applications were approved on July 15, 2022,⁴² all initial status updates were due on October

³⁵ 47 CFR § 1.50005.

³⁶ 47 U.S.C. § 1603(d)(8)(A).

³⁷ 47 CFR § 1.50004(k)(1)(i).

³⁸ *Id.* at §§ 1.50004(k)(1)(iii)-(vi). Removal, replacement, and disposal timelines submitted to the Commission must comport with the recipient’s deadline to complete the permanent removal, replacement, and disposal of covered communications equipment and services, which is one year from its initial distribution of a reimbursement. 47 U.S.C. § 1603(d)(6)(A); 47 CFR § 1.50004(h).

³⁹ 47 CFR § 1.50004(k)(1)(ii); *see 2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 183.

⁴⁰ *2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 184.

⁴¹ 47 CFR § 1.50004(k); *see 2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 183 (“Although the statute allows us to require more frequently filed updates, we find an update every 90 days sufficient to keep the Commission informed of ongoing developments while not unduly burdening program recipients and diverting limited administrative resources away from the network transition process.”).

⁴² *See SCRP Granted Applications Public Notice* at 1.

13, 2022.⁴³ The second round of status updates was due on January 11, 2023,⁴⁴ And the third round was due on April 11, 2023.⁴⁵ Because Reimbursement Program recipients must file these status updates every 90 days, the next deadline is today, July 10, 2023.⁴⁶ Recipients are required to submit their status updates via a module on the Reimbursement Program Online Portal. As required by the Secure and Trusted Communications Networks Act,⁴⁷ the Bureau has made and will continue to make the status updates publicly available on the Commission’s website.⁴⁸

b. Spending Reports

The Secure and Trusted Communications Networks Act directed the Commission to “require recipients of reimbursement under the [Reimbursement] Program to submit to the Commission on a regular basis reports regarding how reimbursement funds have been spent, including detailed accounting of the covered communications equipment or services permanently removed and disposed of, and the replacement equipment or services purchased, rented, leased, or otherwise obtained, using reimbursement funds.”⁴⁹ The Commission determined that “requiring filings twice a year will provide information with sufficient frequency to allow the Commission to monitor against waste, fraud, and abuse while mitigating the reporting burden on recipients.”⁵⁰ It thus required that recipients submit spending reports “within 10 calendar days after the end of January and July, starting with the recipient’s initial draw down of disbursement funds and terminating once the recipient has filed a spending report showing the expenditure of all funds received as compared to the estimated costs submitted.”⁵¹ The Commission further required a “final spending report . . . following the filing of a final certification by the recipient.”⁵²

Recipients that have received their initial disbursements of Reimbursement Program funds were required to submit their spending reports through the Reimbursement Program Online Portal, and will be required to do so for subsequent spending reports as they are due. The first spending reports covered a

⁴³ *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 22-967 (WCB Sept. 16, 2022).

⁴⁴ *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 22-1303 (WCB Dec. 12, 2022) (*Initial Status Update PN*).

⁴⁵ *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their April 11, 2023 Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-183 (WCB Mar. 13, 2023).

⁴⁶ *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their July 10, 2023 Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-502 (WCB June 12, 2023).

⁴⁷ 47 U.S.C. § 1603(d)(8)(B).

⁴⁸ See FCC, *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, <https://www.fcc.gov/supplychain/reimbursement> (last visited May 18, 2023).

⁴⁹ 47 U.S.C. § 1603(e)(2).

⁵⁰ *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188.

⁵¹ 47 CFR § 1.50004(l); *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188.

⁵² 47 CFR § 1.50004(l)(1); *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188. The Commission further clarified that it “expect[s] program participants to submit the final spending report no later than 60 days following the expiration of the program participant’s reimbursement claim deadline.” *2021 Supply Chain Order*, 36 FCC Rcd at 12000, para. 105.

reporting period ending on December 31, 2022 and were due on February 10, 2023.⁵³ Recipients reported nearly \$62 million in reimbursement funds spent during the previous calendar year.⁵⁴ The next round of spending reports is due on August 10, 2023.⁵⁵ The Bureau has made and will continue to make information from the filed spending reports publicly available on the Commission’s website, consistent with confidentiality concerns.⁵⁶

B. Report on Work by Reimbursement Program Recipients to Permanently Remove, Replace, and Dispose of Covered Communications Equipment or Services

Information received from Reimbursement Program recipients since the First Report to Congress indicates that Reimbursement Program recipients are continuing to work toward permanently removing, replacing, and disposing of the covered communications equipment and services in their networks.⁵⁷ Recipients continue to indicate, however, that they are facing certain challenges that may hinder their ability to complete that work, generally and within the time allowed by the Secure and Trusted Communications Networks Act and the Commission’s rules.

1. Progress Towards Completion of Removal, Replacement, and Disposal Plans

In the second and third round of status updates, Reimbursement Program recipients were required to describe the ongoing progress of their work to permanently remove, replace, and dispose of the covered communications equipment and services that were in their networks at the time that they submitted their applications. Based on those descriptions, which are in a narrative format, and a final certification filed by one recipient, the Bureau estimates that 13% of recipients have completed the permanent removal, replacement, and disposal of *all* of the covered communications equipment and services in their networks as of the third status update.⁵⁸ This is an increase from the estimated 10% of recipients that submitted status updates that had indicated completion of the permanent removal, replacement, and disposal of all the covered communications equipment and services in their networks as of the second update due on

⁵³ *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Spending Report Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-25 (WCB Jan. 11, 2023).

⁵⁴ See FCC, *Secure and Trusted Communications Networks Act Reimbursement Program – Spending Reports*, <https://www.fcc.gov/supplychain/reimbursement> (last visited July 5, 2023, 2023).

⁵⁵ 47 CFR § 1.50004(l).

⁵⁶ See 47 CFR § 1.50004(l)(3) (directing the Bureau to “make versions of the spending reports available on the Commission’s website subject to confidentiality concerns consistent with the Commission’s rules”).

⁵⁷ The Commission received the second status update for all 126 applications, which was due in January 2023. (One recipient had not filed as of the First Report to Congress in January. See First Report to Congress at 10 n.77. The recipient subsequently filed the second status update.) After the second status update was due, one recipient submitted a final certification to the Bureau reflecting that it had completed removal, replacement, and disposal of covered equipment and services on its network and so was not required to file additional status updates. See 47 CFR § 1.50004(k) (requiring status updates only “until the recipient has filed the final certification”); see also 47 CFR § 1.50004(m) (establishing process for final certification). The Commission received the third status update for all remaining 125 applications, which was due in April 2023.

⁵⁸ Aside from the one final certification noted above, the Bureau has not received any final certifications from this 13% of recipients to confirm work completion. As in the First Report to Congress, see First Report to Congress at 14 n.106, the aggregate progress estimates in this Report are based on the Bureau’s interpretation of each recipient’s narrative description of the work it has performed to remove, replace, and dispose of the covered communications equipment and services in the networks, i.e., whether the information supplied by the recipient indicated that the required work has been completed, not started, or is in progress.

January 11, 2023,⁵⁹ and an increase from the estimated 2% of recipients that indicated the same as of the first status update due on October 13, 2022.⁶⁰ The Bureau estimates that approximately 85% of recipients have made some progress in their overall removal, replacement, and disposal plan but have not completed the work as of the third status update, similar to the estimated 84% of recipients that had done so as of the second status update and 83% as of the first status update. An estimated 2% of recipients indicated that they have not yet begun the work to permanently remove, replace, and dispose of the covered communications equipment and services in their networks as of the third status update, a decrease from the estimated 6% of recipients who indicated this as of the second status update and 15% as of the first status update.

2. Challenges Encountered

As the Bureau indicated in the First Report to Congress, Reimbursement Program recipients continue to report that they are experiencing four main challenges in their efforts to permanently remove, replace, and dispose of covered communications equipment and services in their networks: (1) lack of funding; (2) supply chain delays; (3) labor shortages; and (4) weather-related challenges.

a. Lack of Funding

As explained above and in the First Report to Congress,⁶¹ the Bureau was required to prioritize and pro-rate allocations when it approved Reimbursement Program applications in July 2022.⁶² As a result, Reimbursement Program recipients received allocations covering roughly 40% of the cost estimates in their applications that were deemed reasonable and supported. Notwithstanding this funding shortfall, recipients remain subject to the requirement in the Secure and Trusted Communications Networks Act that they remove all of the covered communications equipment and services in their networks as of the date they submitted their applications.⁶³

Roughly 39% of recipients indicated in their third status updates that lack of funding continues to be an obstacle to completing the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks in their entirety. This is an increase from the estimated 31% of recipients that indicated this obstacle in their second status updates but a decrease from the roughly half of recipients who indicated it in their first status updates. Approximately 1% of recipients indicated in their third status updates that they will not start work on their removal, replacement, and disposal projects unless they receive additional funding, a decrease from the estimated 4% of recipients that indicated this in their second status updates and an estimated 2% of recipients that indicated this in their first status updates.⁶⁴ The Bureau will continue to monitor recipient progress in completing the permanent removal, replacement, and disposal of covered communications equipment and services in their networks and the impact, if any, of a lack of funding on that progress.

⁵⁹ *Initial Status Update PN*.

⁶⁰ *See* First Report to Congress at 14.

⁶¹ *See* First Report to Congress at 4-6.

⁶² *See* 47 U.S.C. § 1603(d)(5)(C); *see also* 47 CFR § 1.50004(f); *see also* 47 U.S.C. § 1603(d)(5)(A) (“[T]he Commission shall make reasonable efforts to ensure that reimbursement funds are distributed equitably among all applicants for reimbursements under the Program according to the needs of the applicants, as identified by the applications of the applicants.”).

⁶³ 47 U.S.C. § 1603(e)(4)(A)(iii) (requiring recipients to file a final certification stating that they have “permanently removed from the communications network of the recipient, replaced, and disposed of . . . all covered communications equipment or services that were in the network of the recipient as of the date of the submission of the application of the recipient for the reimbursement”).

⁶⁴ *See* First Report to Congress at 15. If a recipient does not submit at least one Reimbursement Claim within a year of the approval of its application, its allocation reverts back to the Reimbursement Program and may be distributed to other recipients. 47 CFR § 1.50004(g)(1).

b. Supply Chain Delays

Reimbursement Program recipients continue to express concern about the ability to obtain replacement equipment and services on schedule due to supply chain delays. The Secure and Trusted Communications Networks Act authorizes the Commission to grant a general six-month extension of the deadline to complete removal, replacement, and disposal projects to all Reimbursement Program recipients if it finds that the supply of replacement communications equipment or services is inadequate to meet the needs of the recipients and achieve the purposes of the Reimbursement Program.⁶⁵ In recognition of this authorization, the Commission “direct[ed] the Wireline Competition Bureau to assess the supply of replacement equipment in the marketplace,”⁶⁶ and in so doing, “to account for the information reported by [Reimbursement] program recipients in the status updates filed as required by the [Secure and Trusted Communications Networks Act].”⁶⁷

Approximately 48% of recipients reported some challenges with securing replacement equipment in their third status updates, similar to the estimated 45% of recipients that indicated this in the second status updates. These percentages do not represent a significant change from the nearly half of recipients that reported some challenges with securing replacement equipment in the first status updates.⁶⁸ Recipients continue to assert the same types of supply chain challenges, including long delays between the placement and shipment of replacement equipment or the delivery of services, price increases since the recipient initially filed its application containing cost estimates, and increased competition for replacement equipment and services diminishing availability. The Bureau continues to monitor and assess the availability of replacement communications equipment and services.

c. Labor Shortages and Weather Impacts

Reimbursement Program recipients also report experiencing circumstances outside of their control that impacts their ability to complete the removal, replacement, and disposal of covered communications equipment and services within the one-year time frame. Approximately 14% of recipients reported challenges with labor shortages in their third status updates, similar to the 14% of recipients who reported this in their second status updates, but down from the nearly 30% of recipients who indicated this in their first status updates. Approximately 8% of recipients reported challenges with weather that impacted their efforts to work toward the removal, replacement, and disposal of covered communications equipment and services in their third status updates, a small decrease compared to the 11% of recipients who reported this in their second status updates and a larger decrease from the estimated 25% of recipients who reported this in their first status updates.

3. Compliance with Project Timelines

Recipients are required to address in the status reports whether they have fully complied with the timelines submitted with their applications for the removal, replacement, and disposal of the covered communications equipment and services in their networks.⁶⁹

Approximately 66% of recipients indicated that they have fully complied with, or are in the process of complying with, the timeline submitted with their applications as of their third status update, an increase from the estimated 56% of recipients that indicated this in their second status update but a decrease from the estimated 80% of recipients that indicated this in their first status update. The

⁶⁵ 47 U.S.C. § 1603(d)(6)(B)(i).

⁶⁶ *2020 Supply Chain Order*, 35 FCC Rcd at 14355, para 172.

⁶⁷ *Id.*

⁶⁸ *See* First Report to Congress at 15.

⁶⁹ *See* 47 CFR § 1.50004(k)(1)(vi) (requiring status update to address whether the recipient “has fully complied with (or is in the process of complying with) the timeline submitted by the recipient”); *see also* 47 U.S.C. § 1603(d)(8)(A) (establishing general requirement that recipients submit status reports).

remaining recipients indicated the timelines submitted with the recipients' applications were no longer valid. Reimbursement Program recipients may modify their removal, replacement, and disposal plans and timelines to take into account factors that have changed since they filed their applications;⁷⁰ accordingly, a statement in a status update that a timeline submitted with an application is no longer valid does not necessarily mean that the recipient is out of compliance with Reimbursement Program requirements. Importantly, no modification request or approval of such request can extend the deadline by which recipients must complete the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks under the Secure and Trusted Communications Networks Act and the Commission's rules,⁷¹ and recipients are reminded of this fact when their modification requests are reviewed.

III. CONCLUSION

The Commission has worked diligently to implement the Reimbursement Program in compliance with the Secure and Trusted Communications Networks Act and to protect the Reimbursement Program from waste, fraud, and abuse. When recipients submit their next status updates on July 10, 2023, and second spending reports on August 10, 2023, the Bureau anticipates it will have additional insight into how much progress recipients have made on their removal, replacement, and disposal plans and the overall status of the Reimbursement Program. The Bureau will update Congress on these points and any new efforts by the Commission to implement the Reimbursement Program in its next report due January 8, 2024.

⁷⁰ See *Wireline Competition Bureau Finalizes Application Filings, Procedures, Cost Catalog, And Replacement List For The Secure And Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 21-947 (WCB Aug. 3, 2021) at 18-19.

⁷¹ 47 U.S.C. § 1603(d)(6)(A) (establishing the completion deadline); 47 CFR § 1.50004(h) (adopting a rule consistent with the completion deadline established by the Secure and Trusted Communications Networks Act).